

Friday, March 7, 2008

Economics of law

Rising salaries and billing rates are a fact of life at law firms, a headache for their clients -- and a sweet marketing hook for some savvy smaller firms

Boston Business Journal - by [Lisa van der Pool](#) Journal staff

When Peter Lando and his partners launched Lowrie, Lando & Anastasi LLP five years ago, they faced a challenge that could daunt any legal startup: How to make their law firm stand out in Boston's crowded, big-ticket legal scene.

The 33-lawyer intellectual property firm, nestled among a host of biotechnology companies in Cambridge, touts billing rates 20 percent less than the big firms. It will occasionally charge flat or negotiated rates, and its targeted billable hours are 1,600 per year per attorney, much less than the industry standard of 2,000.

"We thought, why can't we be creative about our own firm?" said Lando, who spent 12 years at Wolf, Greenfield & Sacks PC prior to starting his own venture. "Five years ago we were asking, where does this all end? Do you just go on forever raising your rates? There has to be a different approach."

With the industry buzzing about billings cracking the \$1,000-per-hour mark and rumors that associate base salaries will soon hit \$200,000 -- and as complaints from cash-conscious clients get ever louder -- a number of smaller law firms are looking to cash in on the price dynamics governing larger firms. Firms are offering cheaper billings per hour and flat fees for some services, and some, like Lowrie Lando, are avoiding the downtown lease rates by setting up shop outside Boston.

"Clients are absolutely looking for value, and they're no longer wedded to doing everything through the humongous law firms they've always used," said Jeff Coburn, managing director of legal consultancy Coburn Consulting LLC in Boston.

Firms that adopt alternative billings structures can't differentiate on that alone however, Coburn said.

"The trick is to be both leaner and meaner. Larger firms are meaner, not leaner."

Lando said his firm's revenue has more than doubled between 2004, its first full year in business, and 2007. The company also has seen a 20 percent growth of new business each year since 2004, he said.

Launched in 1993, Morse Barnes-Brown Pendleton PC is located in Waltham to be close to the high-tech clients it serves and avoid the high rent city. The law firm employs a variety of core business strategies that larger firms would shun. For instance, the firm has steered clear of employing junior associates, arguing they are too expensive and inexperienced to be cost effective. Morse hires associates who are in their third year or beyond.

"Frankly, our competitors do a wonderful job of training them," said managing partner Donald Parker.

The company, which has 28 attorneys, also charges 30 percent below big firm billing rates -- which are normally in the range of \$600 to \$895 per hour -- and will negotiate flat fees in some circumstances, Parker said.

"What we are seeing is that there are increasingly good opportunities for us to grow our practice with clients that are just simply looking for more attentive and cost efficient relationships with their law firms," said Parker. "One of the nice things about being in a boutique firm is that we can be very creative and agile about how we structure our relationships with our clients."

Boston-based Hanify & King PC, a 30-lawyer firm, sends out marketing materials advertising its lower rates, which range from \$220 to \$495. But the firm touts quality at the same time.

"The key to having lower rates is that you also have to show that [clients] can buy the same quality of legal services," said Bob Perry, executive director and head of marketing at Hanify & King PC in Boston.

At least one larger firm would beg to differ with the notion that flexibility gets lost as a firm gets larger.

David Rosenblatt, managing partner at Burns & Levinson LLP in Boston which has 126 lawyers, says his firm is exploring more flexible ways to bill clients.

"I would say we've become a bit more creative in some of our fee structures, although the substantial work is still billed on an hourly basis," said Rosenblatt. "Over the past year we have gotten creative with flat fee type of work doing some partial contingency work."

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